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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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IN THE MATTER OF THE ARIZONA
UNIVERSAL SERVICE FUND RULES,

Docket No. RT-00000H-97-0137

COMMENTS OF COX ARIZONA TELCOM

Cox Arizona Telcom, LLC ("Cox") submits the following comments on possible revisions to the Arizona Universal Service Fund Rules.

A. Comments on Staff Questions

1. Are there areas within the existing rules where revisions should be made? If yes, please provide specific language recommendations and explain the benefit of the recommended revision.

RESPONSE: The existing rules are not compatible with encouraging competitive local exchange carriers from serving unserved or underserved areas. For example, the requirement of a rate case filing creates an immense disincentive for such carriers to even consider serving such areas. For example, the cost and administrative burden of the rate case filing create the disincentive, along with the potential exposure of competitively sensitive information. The rules also need to be competitively neutral, but they are currently designed to address incumbent carrier service to unserved or underserved areas.

2. How might the AUSF rules be amended to ensure the availability of wireline telephone service in unserved areas (open territory)? Please provide specific recommendations on issues such as required population density before service to an area must be provided, the method of determining the serving carrier, procedural process, etc.

RESPONSE: An unserved area should include any area where potential residential customers currently reside. The current AUSF rules put the burden on providers to prove the appropriateness of a proposed "support area" that could be eligible to receive AUSF support. The cost of such proof may be prohibitive if the number of potential customers in the unserved area is relatively small. The Commission should, to the extent possible, designate specific areas as "support areas," using competitively neutral standard identifiers such as census blocks.

3. How might the AUSF rules be amended to increase the availability or affordability of wireline telephone service in under-served areas? Under-served areas are defined as areas within a wireline carrier's service territory where construction or line extension charges apply.

RESPONSE: The Commission needs to better define what constitutes "under-served areas" than what is set forth in this question. Basing the definition on an existing carrier's tariff may create an opportunity for improper manipulation by the existing carrier or may result in truly "underserved" areas being left out based on the diligence of the existing carrier to keep its tariff up-to-date. All high cost areas will not necessarily be included under the definition above. Moreover, underserved areas could be defined to include areas where the incumbent uses out-dated equipment to provide service or has an unusual number of out-of-service problems.

4. Under what circumstances, if any, could AUSF be made available to carriers that do not have Eligible Telecommunications Carrier status?

RESPONSE: The need for ETC status depends on how the Commission defines the “service area” underlying the services that a carrier must offer under 47 U.S.C. § 214 to be an ETC. If ETC status is not required, it may allow the Commission more flexibility to use the AUSF to serve unserved or underserved areas. Moreover, if the Commission decides to delineate AUSF funding into different categories (rural vs. high cost suburban areas or unserved vs. underserved), it may be appropriate to require ETC status in some instances, but not others.

5. Should the definition of local exchange carrier, for AUSF purposes, be broadened to include other services? If yes, how might it be accomplished?

RESPONSE: At this point, under A.A.C. R14-2-1203, AUSF support is available only for “basic local exchange telephone service,” which is narrowly defined to cover voice grade service with several features that allow access to fundamental services (*see* R14-2-1201(6)). Cox believes that AUSF support should continue to be limited to such service. AUSF support should not be extended to include “advanced services”, such as broadband internet access or voice mail. However, “underserved” areas may also lack availability of such services, even where basic voice grade lines are available. Providing targeted support for all providers willing to supply basic voice grade service to designated underserved areas – and calculating the level of support based only on the cost of providing voice grade service – may still create enough support and incentive that a carrier could piggyback the facilities for advanced services on the voice grade facilities.

The lack of broadband internet access or advanced services availability may be an appropriate factor in deciding what constitutes an underserved area.

6. Are there USF rules in other states that should be adopted in Arizona? If yes, please provide the specific language for each rule and explain the benefit that would be derived by adopting the rule in Arizona.

RESPONSE: The California Public Utilities Commission has developed a program to serve high cost census block groups in the context of a competitive market. California now has two types of High Cost Funds, one a traditional mechanism for smaller LECs serving rural high cost areas and another that is designed to provide ILECs and CLECs access to universal service funds on a competitively neutral basis. This program was adopted in California PUC Decision 96-10-066 (October 25, 1996). Such an approach may be particularly appropriate in areas surrounding large urban areas where CLECs, such as Cox, may have facilities near to the unserved or underserved areas.

7. How might construction or line extension tariffs be standardized between companies? Should there be an AUSF contribution in addition to the company contribution? Should there be a maximum amount a customer can be expected to pay to obtain service? Should this amount consider the median household income of the area being served. Assuming there is an AUSF contribution, what is a reasonable limit?

RESPONSE: Cox does not believe that it is appropriate to standardize construction or line extension tariffs. Different telecommunications companies have different technologies. Standardization could interfere with creative approaches to service.

1 8. Are there changes in the Federal USF rules, which Staff should
2 be aware? If yes, please identify them. How do these
3 changes impact current AUSF rules? How might they impact
4 recommended revisions to the existing rules?

5 **RESPONSE:** Cox does not take a position on this issue at this time.
6

7 9. Are there changes in other Federal rules that might impact
8 current or future AUSF rules? If yes, please identify them
9 and their potential impact.

10 **RESPONSE:** Cox does not take a position on this issue at this time.
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12 10. For all other comments please provide a narrative fully
13 explaining the issue being discussed, any recommendation
14 and the benefit to be gained if the recommendation is
15 adopted.

16 **RESPONSE:** None at this time.
17

18 **B. Service List**


19 Please add the following two names to the formal service list in this docket.
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1 Respectfully submitted this 16th day of November, 2001

2 COX ARIZONA TELCOM, LLC

3
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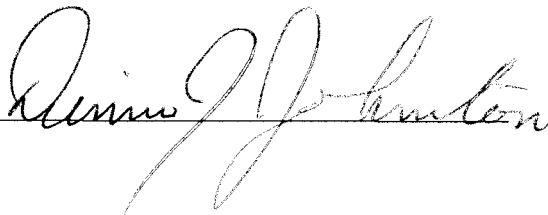
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